

9 April 1984

MEMORANDUM FOR: Director of SIGINT Operations

VIA: Inspector General *ST*

FROM:
Chief, Audit Staff

SUBJECT: Report of Audit of Office of SIGINT Operations,
1 November 1981 - 31 October 1983

1. Subject report is attached for your review. Please advise me of action taken on the recommendations contained in the report.

2. We appreciate the cooperation and assistance extended by you and your personnel during the audit.

25X1



Attachment:
As stated

Distribution:
Orig. - D/OSO
1 - DDS&T
1 - O/Compt/BMG
1 - D/OF

WARNING NOTICE
INTELLIGENCE SOURCES

Approved For Release 2005/08/23 : CIA-RDP89-00624R000100110004-5

S E C R E T

25X1

REPORT OF AUDIT
Office of SIGINT Operations

For the Period
1 November 1981 - 31 October 1983

SUMMARY

1. Office of SIGINT Operations (OSO) internal controls and procedures were generally effective and in compliance with applicable regulations. Some longstanding problems in the administration of accountable property remain to be resolved. This report contains recommendations concerning that subject as well as improved control over property furnished to contractors, prompt settlement of contracts, and the utilization of a vehicle.

SCOPE

2. The audit included a review of administrative functions to evaluate the effectiveness of internal controls and procedures and to ensure compliance with Agency regulations. Financial and logistical transactions were reviewed to determine whether documentation, approvals and certifications were in accordance with applicable regulations, to ensure that obligations and expenditures were within the scope of approved activities, and to verify the accuracy of financial and property accounts. Contracting controls and procedures were also reviewed to determine whether contracting processes were carried out in compliance with applicable laws and regulations.

GENERAL

3. OSO is responsible for developing and managing the CIA SIGINT program and providing guidance for its execution within the framework of the United States SIGINT System. OSO provides direct close SIGINT support to CIA's operations, liaison activities, personnel abroad and other collection programs. Efforts are directed at collecting and analyzing signals, inadvertent emanations, special systems data, and responding to technological advances in foreign targets.



25X1

WARNING NOTICE
INTELLIGENCE SOURCES
OR METHODS NOT TO BE
DISCLOSED

S E C R E T

Approved For Release 2005/08/23 : CIA-RDP89-00624R000100110004-5

25X1

DETAILED COMMENTSAccountable Property

6. For several years OSO has experienced significant problems with its inventory of accountable property. Some of these problems existed in one of the predecessor offices of OSO and were carried over to the present organization. OSO has addressed the problems with accountable property during recent years and since the previous audit has partially resolved some of them by a series of physical inventories and adjustments to property records. However, missing property valued in excess of \$1 million remains in a suspense account pending write-off and our tests indicated further discrepancies in three major consolidated memorandum receipt accounts.

7. Subsequent to the prior audit, OSO requested assistance from an Office of Logistics (OL) inventory team to conduct a physical inventory and to determine necessary adjustments. OL was unable to provide assistance at that time but has recently agreed to do so. This appears to be the most appropriate action to bring the inventory and property records into balance. Considering the persistent nature of this problem, the frequent movement of property and its high value, we believe that in addition to the inventory OSO would benefit from a review of property management aspects of its logistics function by someone from outside OSO with expertise in property management. Such a review should result in establishment of strengthened procedures which would reduce the likelihood of future inventory discrepancies. This too will require participation of OL.

Recommendation #1: Adjust property records based on the results of the inventory to be conducted by the OL team.

Recommendation #2: Request an OL review of property management aspects of the OSO logistics function.

8. Missing property having a total value of \$895,288 was written off on three separate transactions during the audit period. This property was missing during the prior audit and write-off was recommended if it could not be located after thorough research. These transactions were approved by the OSO senior logistics officer who was delegated authority to approve property write-offs. While [] which deals with such transactions does not preclude delegation, it is not in keeping with sound internal control principles to delegate write-off authority to individuals in their direct areas of responsibility. Recommended revisions to [] including limitations on delegations of authority to approve write-offs have been addressed to the Director of Logistics in a separate memorandum. We suggest that authority to approve future write-offs be either retained by the Director of OSO or be delegated to a senior officer outside of the logistics office and that the current delegation to the logistics officer be rescinded.

25X1

25X1

Recommendation #3: Retain property write-off authority at a senior level and rescind the current delegation to the logistics officer.

9. A sample of 190 property transactions was reviewed for accuracy and proper documentation. Fifty-one discrepancies were observed in the sample. They consisted of input errors to the automated property accounting system, inadequate documentation, and 10 instances where transactions had occurred but were not recorded in the data base. Logistics personnel are in the process of correcting the deficiencies identified in the sample. A daily verification of input accuracy including an examination of the supporting documentation for adequacy should serve to reduce the error rate. This verification should be performed by someone other than the individual responsible for inputting the data.

Recommendation #4: Perform an independent verification of data input to the property accounting system and ensure that the documentation supporting those transactions is adequate.

Government Furnished Property

10. Improved follow-up procedures are needed to control Government Furnished Property (GFP) in the possession of contractors. The Manual for the Administration of GFP in Possession of Agency Contractors requires that each contractor who has been issued GFP submit an annual inventory, including dollar values, to the contracting officer as of 30 September each year. These reports are forwarded to the OL/Procurement Management Staff for consolidation. The consolidated report is sent to the Director of Finance for inclusion in the Agency's financial records.

11. The prior report of audit contained a recommendation to establish records to accurately reflect the status of GFP. Some recordkeeping improvements were made; however, other administrative deficiencies remain. The FY 1983 report prepared by OSO Contracts and Procurement Staff (C&PS) listed 19 contractors with GFP having an estimated value of \$10.8 million. Only 10 of the contractors listed had actually submitted 1983 inventory listings. C&PS estimated the value of GFP in the possession of the remaining nine contractors by reviewing the contract files or by verbal confirmation from the contractor. This does not meet the GFP manual requirement that contractor's inventory listing be checked and validated by the contracting officer against his contract records. The value of GFP in the possession of three contractors who submitted late GFP inventory listings was omitted entirely from the report submitted by C&PS. In addition, the most recent formal inventory report from one contractor listed on the C&PS FY 1983 report as having GFP valued at \$6.5 million was dated 1979.

12. Control over GFP could be improved by sending written reminders to contractors well in advance of the reporting date, followed by the formal request for the inventory report. Past failures to report should be mentioned. Physical inventories of GFP should be conducted at the facilities of those contractors who continually fail to report. These inventories could be conducted by Commercial Systems Audit Division (CSAD) of the Office of Finance.

Recommendation #5: Document contract files to indicate that GFP inventories submitted by contractors have been checked and validated to the contracting officers contract records. Note any differences and state the corrective action taken to resolve them.

Recommendation #6: Remind contractors with GFP of reporting requirements well in advance of the report date and mention any past failures to report.

Recommendation #7: Request that CSAD conduct physical inventories of GFP at the facilities of contractors who have been unresponsive to reporting requirements.

Contracts in Settlement

13. Action is needed to settle and close contracts on a more timely basis. The prior report of audit contained a recommendation to establish a procedure to promptly obtain contract closing documents. OSO's response indicated C&PS had implemented a procedure to follow up monthly on the status of contracts classified as in settlement in the Contract Information System. A sample of contracts in settlement examined during the current audit indicated that C&PS is not conducting monthly reviews of these contracts.

14. We reviewed 23 of the 168 contracts classified as in settlement at the audit date. The most recent request for closing documentation for seven contracts was over 90 days old, two contracts have had no follow-up review for 12 months or more and there was no indication that closing action had been initiated on six contracts completed three or more years ago. Evidence of current follow-up action was on file for eight of the contracts. C&PS personnel stated that other priorities such as current contract negotiations and the administration of ongoing contracts have precluded the planned systematic review of contracts in settlement.

15. A large backlog of contracts in settlement in another Agency procurement element was reduced by temporarily employing an individual with prior experience in this area. OSO may wish to consider this option.

Recommendation #8: Take action to reduce the backlog of contracts in settlement.

Vehicle Utilization

25X1 16. Motor vehicle (MV) #70030, a Toyota Trekker, was purchased in October 1982 for approximately \$14,000. The vehicle was initially intended for operational use overseas, and was modified for that purpose. It was titled and registered in the name of the ostensible owner whose overseas tour was subsequently cancelled. The vehicle was placed in storage at the [] from January through October 1983, when it was recovered and title was transferred to a second OSO employee. We were informed that the vehicle is now intended for use in connection with training for operations, but we could find no utilization records for that or any other purpose. The Consolidated Table of Vehicular Allowances (CTVA) still shows MV-70030 as an operational vehicle at the field station for which it was initially intended. We attempted on two occasions to physically verify the vehicle but were unable to do so, because it was said to be at the home of the ostensible owner who was in TDY status. Review of his travel orders and accountings indicate that he is a frequent traveler. The practice of leaving the vehicle at his home during periods of TDY would seem to limit its utility.

17. Considering the foregoing, the status of MV-70030 should be resolved immediately. If a determination is made to retain the vehicle, certain administrative actions will be necessary. A blank bill of sale signed by the ostensible owner will need to be obtained. In addition, a file containing data pertinent to the registration, inspection, operation, and maintenance of the vehicle is required by [] Alternative methods of accounting for nonofficial use of QP vehicles such as home to office mileage are contained in []

25X1

25X1

Recommendation #9: Reevaluate, without delay, the requirement for MV-70030; if a continuing need for it is determined to exist, establish a file containing the required documents and inform OL/Supply Division of its current location in order that the CTVA can be updated.

BEST COPY
Available

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Report of Audit of Office of SIGINT Operations

FROM:

Audit Staff
1201 Key

EXTENSION

NO.

DATE

9 Apr 84

STAT

TO: (Officer designation, room number, and building)

DATE

RECEIVED

FORWARDED

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1

IG

4/10/84

GI

2

Exd

3

D/OSO LAUS

4

C/Support

5

6

I/OSO LAUS

7

8

9

10

11

12

13

14

15

1. Prepare comment to Roy on audit
2. Prepare response to I-6.

Therry
Please get me your detailed response by 7/11/84